

Message Text

UNCLASSIFIED

PAGE 01 BOGOTA 00755 251754Z

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
CIEP-02 LAB-04 SIL-01 OMB-01 L-03 PRS-01 PA-02 AGRE-00
NSC-05 SS-15 STR-04 CEA-01 FEAE-00 INT-05 /103 W
-----251915Z 040072 /46

R 251543Z JAN 77

FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC 9508

UNCLAS BOGOTA 0755

E.O. 11652: N/A

TAGS: CO ECON, FIN

SUBJECT: INTEREST RATES MAY BE LOWERED

1. IN A BREAKFAST MEETING WITH THE REPRESENTATIVES OF THE PRIVATE FINANCIAL SECTOR THE NEW MINISTER OF FINANCE, ABDON ESPINOSA, PROPOSED A LOWERING OF INTEREST RATES ON ORDINARY LOANS AND ON LOANS MADE FROM RESOURCES CAPTURED BY CERTIFICATES OF DEPOSITS. THE BANKS RESPONDED THAT ALL INTEREST RATES WOULD HAVE TO BE LOWERED OR PRIVATE SAVINGS WOULD NOT BE COMPETITIVE WITH OFFICIAL PAPERS. THE MEETING CONCLUDED WITH A PRELIMINARY AGREEMENT TO STUDY WAYS TO LOWER BOTH OFFICIAL AND PRIVATE INTEREST RATES. IN ADDITION, THE BANKS AGREED TO STUDY WAYS TO SIMPLIFY AGRICULTURAL LENDING PROCEDURES AND TO CONTROL EXTERNAL BORROWING.

2. COMMENT: LOWER INTEREST RATES WOULD BE A SIGNIFICANT BREAK WITH THE POLICIES OF THE PREVIOUS FINANCE MINISTER AND WITH POLICIES EVOLVING FOR THE LAST FIVE YEARS, BUT IT IS NOT A SURPRISE. AS A COLUMNIST FOR EL TIEMPO, ABDON ESPINOSA HAS WRITTEN A NUMBER OF ARTICLES FAVORING A GENERAL LOWERING OF INTEREST RATES. THE OBJECTIVE IS TO REDUCE THE INFLOW OF SHORT TERM CAPITAL AND TO STIMULATE PRIVATE SECTOR INVESTMENT. IT IS DIFFICULT TO
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BOGOTA 00755 251754Z

PREDICT WHAT THE NET EFFECT OF LOWER INTEREST RATES WILL BE IF ADOPTED. THE AMOUNT OF SHORT TERM CAPITAL ENTERING THE COUNTRY AS SERVICE EARNINGS IS NOT KNOWN (THE EMBASSY ESTIMATES THAT THE AMOUNT COULD HAVE BEEN AS HIGH AS \$100 MILLION IN 1976 AND THE NET RESULT WILL DEPEND ON THE ELASTICITIES OF THE VARIABLES INVOLVED AND THE SIZE OF THE CHANGE. SINCE THERE IS ALREADY EXCESS DEMAND FOR CREDIT, EVEN WITH HIGH

INTEREST RATES, IT WOULD SEEM LIKELY THAT THE PROBLEMS OF
CONCENTRATION OF CREDIT WILL BE EXACERBATED, WITH THE
ALLOCATION OF CREDIT MADE ON OTHER THAN ECONOMIC CRITERIA.
ON THE OTHER HAND, AS A SHORT TERM MEASURE TO COUNTER HIGH
INFLATION RATES THE MEASURE MAY BE BENEFICIAL IF IT SITM-
ULATES A SHORT TERM CAPITAL OUTFLOW AND AN INCREASE IN
INVESTMENT AND, HENCE, IMPORTS.
SANCHEZ

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INTEREST RATES, LOANS
Control Number: n/a
Copy: SINGLE
Sent Date: 25-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BOGOTA00755
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770027-0224
Format: TEL
From: BOGOTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770122/aaaaatbz.tel
Line Count: 70
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 99042bd2-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28-Sep-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3515713
Secure: OPEN
Status: NATIVE
Subject: INTEREST RATES MAY BE LOWERED
TAGS: ECON, EFIN, CO, (ESPINOSA, ABDON)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/99042bd2-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009